Home center firms post healthy 1987 financial results

(Continued from page 1)

"On a nationwide basis, it was an above-average year," said Harlan Hummel, executive vp of the National Lumber and Building Material Dealers Association (NBMDA), the 15,000-member association.

Numbers just released by publicly held retailers tell the same tale. For the first three quarters of the year, sales increased by 9 percent to $1.9 billion at Lowe's, and 24 percent to $553.6 million at Hechinger. They increased 21 percent to $171.8 million at Wolohan Lumber and by 46 percent to $1.1 billion at The Home Depot.

Nearly every publicly held home center chain reported a higher net margin for the first three quarters of 1987 than for the same period in 1986.

Strober Organization, Brooklyn, N.Y., had the highest net margin among dealers in this group. Its 5.7 percent return on sales compared with a 5.5 percent for the first nine months of 1986.

For the third quarter, earnings grew 51 percent to $9.4 million at Hechinger; 33 percent to $16.6 million at Lowe's; and 148 percent to $9.7 million at The Home Depot.

The warehouse division of Zayre Corp., which includes HomeClub, posted a $4.2 million operating profit for the third quarter, compared with a $5.5 million operating loss for the same quarter in 1986.

As go retailers, so go wholesalers. Al Leitschuh, executive vp of the National Building Material Distributors Association, Deerfield, Ill., noted that his 500 members have reported a "better than average" year.

And at the National Wholesale Hardware Association, Philadelphia, managing director Thomas A. Fernley III reported that shipments increased by 6 percent for the first 10 months of 1987, up from the 4 percent increase reported in 1986.

"There is more production going through the pipeline than ever," said Fernley.

The lowering of the maximum corporate tax rate, as mandated by the Tax Reform Act of 1986, had a major effect on home center profits.

The third-quarter tax rate declined to 35.2 percent from 44.9 pecent at Hechinger; to 43.6 percent from 55.3 percent at The Home Depot; and to 45.2 percent from 50.8 percent at Wolohan Lumber. Other dealers had similar drops.

Cuts in selling, general and administrative expenses also brought greater profitability to some of the companies. Grossman's, for example, cut its SGA to 21.4 percent of revenues in the third quarter of this year, down from the 22.5 percent reported for the same period in 1986.

"Based on the economic uncertainty, we are currently cutting back in many areas," said Bruce Meltzer, president of General Building Products, Medford, N.Y. He pointed to yard and delivery expenses, and excess inventory as the prime cut targets.

"But we are *not* cutting back on selling expenses," added Meltzer, noting that trimming sales force or reducing advertising would only be self-defeating.

Retailers emphasized the powerful effect changes in regional economies have had on an industry that is still overwhelmingly composed of regional players.

The Northeast seemed to have the healthiest consumer and contractor business, according to Hummel of the NLBMDA. He characterized the upper Great Plains as "considerably better" than in 1986; California and the central Midwest as "much improved"; the Northwest as "fair"; Texas as "improved a little" and Louisiana as "still in the doldrums" from the oil industry.

Hummel noted that mid-America, including Nebraska, Oklahoma and Kansas seemed to be "still below par."

"It was a very good year," said Bill Sherry, president of ENAP, a $235 million co-op with 152 yards in 11 Northeast states, based in New Windsor, N.Y. He projected ENAP's 1987 sales to be up 32 percent.

Problems in the oil patch have continued to pull down earnings reports from Payless Cashways, Lowe's and others with stores in the region.

But for much of the home center industry, competition, not depressed housing or regional economies, determined sales performances.

At National Hardgoods Distributors, Stoughton, Mass., president Sheldon M. Woolf said 1987 was "a poorer year" than 1986, when judged by sales growth at stores open longer than one year. Such growth came to only 5 percent through the first three quarters of 1987, compared to the compounded 12.1 percent same store sales growth rate for the previous four years.

While NHD's third-quarter sales rose 27.6 percent to $10.7 million, and same store sales rose 7.3 percent, it suffered a $56,000 loss in the latest three-month period.

The reason was that competitors such as Somerville Lumber, Channel and Rickel have opened new stores in the Rhode Island market. Consequently, NHD was forced to promote heavily, which impacted margins and volume.

H&H Home Center, the $6 million independent in Seaside, Calif., experienced a 7 percent rise in volume in 1987 after a 10 percent rise the previous year. But general manager Mike Cole attributed the softening in sales increases to the opening of a new Ace store nearby earlier this year. When that store closed later in 1987, volume at H&H started to increase by 14 percent over the same period in 1986.

Nevertheless, based on 1987 results, a good number of dealers were looking forward to 1988.

"We anticipate gaining sales next year," said Dave Gregory, advertising director at Star Lumber, the $50 million retail chain based in Wichita, Kan. While the local economy has been flat, Gregory noted that Star is engaged in retrofitting its stores, and expects that action to generate more sales from the same store base.

However, Mark Manis, vp of the $26 million Manis Lumber, Atlanta, noted that the economic boom has been going on for so long that the chance for a recession has gotten greater.

"Sooner or later we will see a slowdown," said Manis.

Kuwait becomes partner in Western Lumber

(Continued from page 1)

tries, which, consolidated with Western Lumber, will generate annualized sales of $450 million and employ 2,800 persons. Seven percent of Georgetown Industries is owned by management and directors, including the company's chairman, G. William Miller, the former U.S. Treasury Secretary.

Anderson said Georgetown has "no plan to change anything except to support Western Lumber with further growth plans."

For Western Lumber Co., the transaction represents the conclusion of a 25-month foray into the San Diego County home center business by McCown DeLeeuw & Co., a division acquisition fund, which, along with Quimby, formed Western Lumber in September 1985 to purchase the southern California building materials distribution division of Boise Cascade Corp. for $27 million.

George McCown, a partner in the venture capital firm bearing his name with offices in Menlo Park, Calif., and New York City, said the sale to Georgetown gave a substantial return to Western Lumber investors. McCown's firm also recently assisted in the management buyout of 20 Boise Cascade Building Centers located in six Western states (*NHCN*, Nov. 30, 1987).

McCown, former chairman of Western's board of directors, said Western Lumber had been "absolutely" making a profit despite its location in the extremely competitive San Diego market.

"Western Lumber is a very fine company with an excellent record," he said. "It really is the most significant supplier of building materials in the San Diego market."

Looking to expand

Evidence of Western Lumber's commitment to grow the business was its purchase of three Lumber One lumberyard facilities in Solana Beach, Fallbrook and Temecula in July 1987, for $6.7 million, in a bankruptcy court action by former owner Donald F. Cole. Western Lumber also entered into a lease agreement on a fourth Lumber One site in Ramona (*NHCN*, July 13, 1987).

McCown said the steps that led to Georgetown's purchase of Western Lumber were first taken last summer following the Lumber One acquisition.

"We began exploring the recapitalization of Western Lumber with additional subordinated debt or equity," McCown said. "In that process we had several banking inquiries concerning the sale of the whole company. At the time, we said no."

Georgetown's representatives were "persistent," McCown recalled. "They offered a price you couldn't refuse. The $40 million [purchase price] generated a very substantial return to the owners of the company."

"We had substantially enhanced the value of the company and there was no logical next move," McCown said. "Without going dramatically beyond its current geography, Western has a limited opportunity to grow."

Seasonal fare gives dealers green Xmas

(Continued from page 1)

around 4 percent over 1986, according to many news reports), home improvement dealers selling Christmas-oriented products appeared to fare quite well last month.

A random sampling of the industry found many home centers who got into the Christmas selling spirit either by promoting year-round merchandise such as batteries, Duraflame logs or power tools for the holiday, or by having complete trim-a-tree programs. In either case, holiday merchandise was heavily promoted both in-store and through print advertising.

Buyers that have been dealing with seasonal merchandise for two years or more reported that almost all seasonal merchandise is sold out prior to Christmas. Bill Crayton, merchandise manager at Ernst Home & Nursery, Seattle, said that 95 percent of the merchandise was sold before the holiday, which he attributes to his buying in the right quantities.

Crayton added that his seasonal merchandise has been on computerized inventory for a 1½ years which, he said, made it easier to evaluate the previous year's product movement.

The 73-unit Ernst sold both fresh cut and artificial Christmas trees. Fresh cut trees ranged from $10 to $30, while artificial trees started at $19.95 up to $299.99. Ninety-five percent of the artificial trees were sold before Christmas, he said.

Poinsettias sold out, according to Crayton. Appliances promoted as gifts sold above average amounts.

The 47-unit Handy Andy Home Improvement Centers, Schaumburg, Ill., also had a good Christmas selling season, according to Cathy Penn, assistant seasonals buyer. But while most lines sold out, she said that the decorated wreaths didn't do as well as anticipated. However, nearly 75 percent of the artificial trees and lights were sold before Christmas. The fresh cut trees sold out, she added. Penn would not disclose the price point range.

This is the third year that Scotty's, the 146-unit Winter Haven, Fla.-based chain, has "gotten into gift items and the trim-a-tree program in a big way," said Bob Fant, advertising director.

Scotty's does not sell fresh cut or artificial trees, but the retailer promotes tree lights, ornaments and lawn ornaments as well as brass giftware with a holiday theme. Ninety percent of the merchandise was sold before the holiday.

Promotional poinsettias, priced at $2.99, "went like crazy," said Fant.

Triangle Building Centers, a five-store Quakertown, Pa., independent, experienced "a real good holiday season," according to a store spokesperson. "We had no leftover merchandise and we didn't take any big price markdowns," he said.

He attributed part of the holiday sale success to good weather and stressed that the merchandise was brought in and sold at the correct price.

Somerville Lumber's chairman Harold Cohen acknowledged that although the Massachusetts-based subsidiary of Payless Cashways did not concentrate on seasonal merchandise, it did promote regular items in a seasonal way.

"We stick to the basics. Business was good during December. Our flyer had more concentration on tools and appliances."

Lowe's closes 16 units in depressed oil patch region

(Continued from page 1)
leave Lowe's with 295 stores and 4.8 million square feet of retail space.

Thirteen of the stores to be closed are in the Dallas-Fort Worth area of Texas. Lowe's will also close one store each in Oklahoma, Georgia and South Carolina. Oxford said the Georgia and South Carolina stores are older, leased properties that have been overshadowed by newer Lowe's operations.

"We're not exiting those markets," he said.

Lowe's is also keeping nine stores open throughout Texas. After closing several Oklahoma stores earlier this year, the company has two left in that state.

The shutdown announcement was not unexpected. In September, Lowe's chairman Robert Strickland told a group of security analysts that "one way or another we're getting out of those [oil patch] markets." But at that time, Stickland would not confirm that Lowe's intended to close stores there.

For fiscal 1986, Lowe's took an $8 million pretax loss on its stores in Texas, Louisiana and Oklahoma. Though fourth-quarter and end-of-year figures for 1987 will not be available until February, Oxford said the Louisiana stores have shown a profit this year.

But housing starts declined drastically in Texas, seriously affecting Lowe's stores there. Oxford said 60 percent of the average Texas store's sales were to contractors, with 40 percent on the retail side. Those figures are the reverse of Lowe's contractor-retail mix elsewhere.

Oxford said Lowe's is currently developing closing cost and savings estimates for the shutdown.

Inventory from the closed stores will be funneled to Lowe's distribution centers, he said, for use elsewhere. The stores, which average about 10,000 square feet, will be probably be sold.

"We have no buyers on hand at this time," Oxford said. "But we're not going to just arbitrarily sell those properties at depressed prices. We still think they're prime retail locations."

CoastAmerica drives into auto aftermarket in latest buy

(Continued from page 6)
pendent businesses and may order from other sources," Wiley said.

Despite their new arrangement with CoastAmerica, the Otasco dealers are expected to continue to use the Otasco name and format, but some may choose to broaden their product lines. CoastAmerica's warehouses stock 28,000 stockkeeping units while Otasco warehouses carry 8,000 skus.

CoastAmerica now handles about 80 percent of Otasco's merchandise mix and is gearing up to provide the other 20 percent—including tires, brown goods such as microwaves and major appliances. These items will also be available for the first time to the nearly 1,000 Coast to Coast stores as well. CoastAmerica also will expand its auto aftermarket skus.

James R. Holland, newly named executive vp and cfo of CoastAmerica, said "ultimately the deal will enhance the buying ability of Coast to Coast stores."

Holland described the Otasco acquisition as "a fold-in." "From an operating point of view, we will take advantage of additional buying power generated by having more stores to service."

Holland said the Otasco stores do not overlap Coast to Coast store trading areas.

Otasco stores are in Alabama, Arkansas, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Tennessee and Texas.

CoastAmerica will service the Otasco dealers from its distribution centers in Brookings, S.D., and Crawfordsville, Ind.

Congress revives and passes housing bill

(Continued from page 7)
authority for the Federal Housing Administration's mortgage insurance program and an increase in the maximum mortgage amount in areas with high home prices from $90,000 to $101,250; funding for rural housing; and funding for assisted housing at current levels.

The program also provides for a grant program to encourage home ownership in distressed neighborhoods. All of the bill's provision are designed to help low- and moderate-income families.

Melvin J. Adams, president of the National Association of Housing and Redevelopment Officials, praised the bill's passage.

"The nation is faced with an appalling reality of unmet [housing] need," Adams said. "Now we hope to begin to address that."

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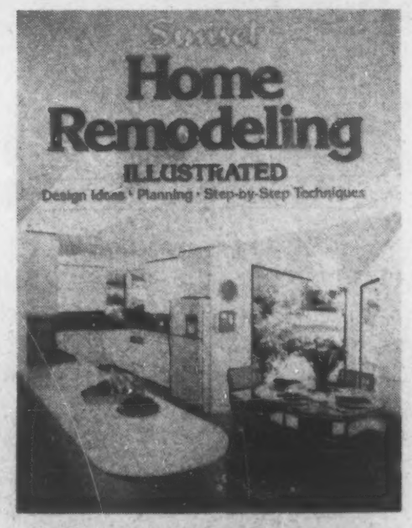

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Industry execs convene in Chicago

Dr. Philip Kotler (above), professor of marketing at the J.L. Kellogg School of Management, Northwestern University, talked about the challenge of becoming a market-driven company during his keynote address to the first Home Center Presidents Council Conference, which was held in Chicago late last year.

More than 100 retailers and manufacturers attended the two-day event, which also included sessions on store design, transportation, law, outplacement, wholesaling, the economic outlook and service.

Pictured at the right are Busy Beaver president Charles Bender (left) with Robert Rosser, senior vp, West Building Supply, during a reception.

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Home Center News®

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Home center firms go on store-closing spree

Chains won't gamble on low-profit units

By Brad Altman and John Caulfield

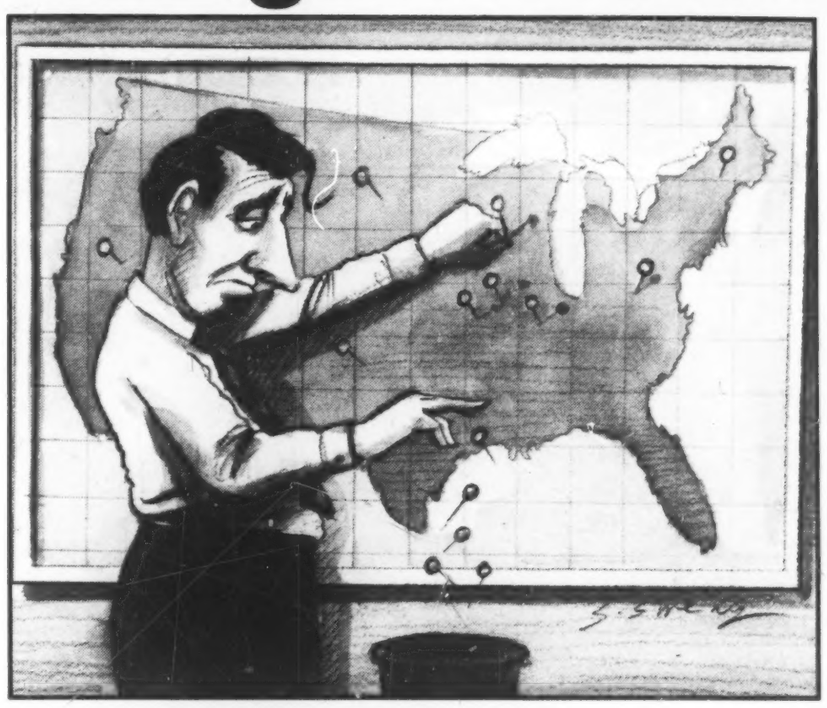
NATIONAL REPORT — On Dec. 31, Grossman's closed down its 60,000-square-foot store in Old Bridge, N.J. Normally, this would be no big deal, except for the fact that when this unit opened April 25, 1984, it was seen as a warehouse prototype and a symbol of what was to come for the Braintree, Mass.-based chain.

News Analysis

But its closing is more symbolic of what, over the past year, has become all too evident in home improvement retailing: There are too many stores, there has been too much expansion, and some of the industry's larger players are no longer willing to keep open marginally performing units.

Announcements by Lowe's, Payless Cashways and now Pay 'N Pak (*see other story*) that they would be closing collectively about 30 units over the next several months have raised some eyebrows about the strength of various markets and the direction some chains and independents want to take going into the 1990s.

Each company issued a statement which gave a different justification for the store shutterings, but several industry analysts believe the closings signal a trend among retailers to focus more attention on store-level operations.



In Grossman's case, the chain is looking to concentrate on clustering stores to dominate certain markets—Boston; Roanoke, Va.; Buffalo, N.Y., and some areas of New Hampshire and Connecticut—and to deploy its capital expenditure for new units more wisely.

"I don't want to imply that the [Old Bridge] store was in a bad market," said Stanley Berman, senior vp-administration for Grossman's. "But the market totally changed."

Over the past few years, Mr. Goodbuys has moved into Grossman's New Jersey turf, Rickel completely retrofit-

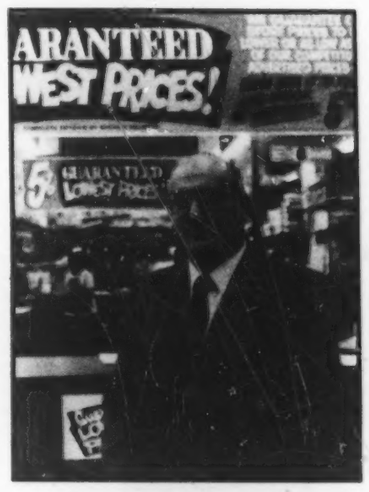
(Continued on page 63)

Pay 'N Pak shutters eight units in West

By an NHCN staff editor

KENT, Wash. — Pay 'N Pak closed eight "marginally profitable" stores in four states late last year and the retailer recorded a $1.7 million write-down in its third-quarter financial results.

Pay 'N Pak shuttered four units in the greater Denver market, two in Oklahoma City, one in Grand Forks, N.D., and one in Sioux City, Iowa.



David Heerensperger, chairman of Pay 'N Pak.
NHCN photo

The closings mark a retreat for Pay 'N Pak from Oklahoma, North Dakota and Iowa, but not Colorado, where the retailer continues to operate units in Colorado Springs and Greeley.

In a prepared statement, David J. Heerensperger, chairman, said, "The stores that the company closed were marginally profitable at best and the capital required to operate them is being put to better use."

(Continued on page 63)

Free trade pact with Canada draws criticism

By Ariane Sains

NEW YORK — Political shots are being freely traded over the issue of free trade between the U.S. and Canada, with some retailers and manufacturers in both countries waiting to see what will happen.

On Jan. 2, a comprehensive agreement that would phase out almost all tariffs and trade barriers was signed by President Ronald Reagan and Canadian Prime Minister Brian Mulroney.

The agreement must be ratified by Congress and the Canadian parliament. Substantial opposition on both sides of the border is expected.

But if the pact goes through, some Canadian manufacturers say they are concerned that their operations

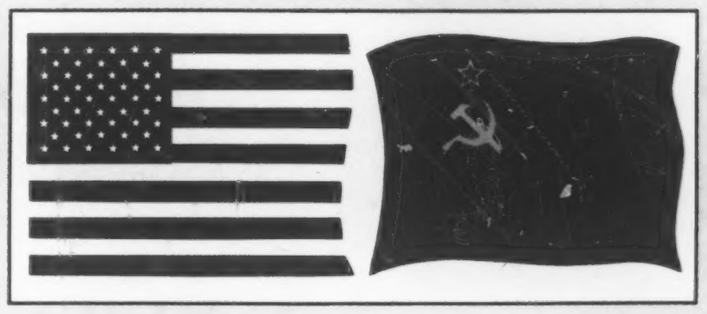
(Continued on page 63)

Joint U.S./Soviet housing rehab project to start in spring

By an NHCN staff editor

SILVER SPRING, Md. — When it comes to *glasnost*, John Knott's way ahead of Soviet leader Mikhail Gorbachev.

For three years Knott, president of a construction firm based here, has been negotiating with Soviet authorities to establish a joint housing rehabilitation project.



In early spring, the first phase of the program will begin simultaneously in Indianapolis and Smolensk in the U.S.S.R.

Under a 1974 agreement, the Soviet Union and the United States have exchanged information about housing technology and construction. But Knott's project is the first time the two countries will pool construction techniques, materials and knowledge.

Knott says most of the building materials will come from United States suppliers, though their selection won't be for several months.

But much of the technology will come from the Soviet Union.

"There's a lot we can learn from them. Essentially, each building has its own passport," Knott says of the Soviet's computerized system of cataloging buildings. Information about the age, construction and location of every building in the country is recorded and updated annually.

Knott says that information can be used to design the best rehabilitation plan more quickly than can be done in the United States.

Over the next three

(Continued on page 64)

New stumpage fees end 15% lumber tariff

By Milford Prewitt

VANCOUVER, B.C. — The 15 percent export tax on U.S.-bound lumber shipments from Canada is officially dead.

It was rescinded Dec. 1 when higher stumpage fees in this province were accepted by American trade negotiators as a satisfactory replacement for the export duty.

For most of 1987, Canadian exporters paid a 15 percent tax on the mill value of all lumber shipped to the U.S.

The new stumpage rates have incurred as much vehemence from the country's forest products producers as the old tax. But some have said they would prefer the export tax reinstituted.

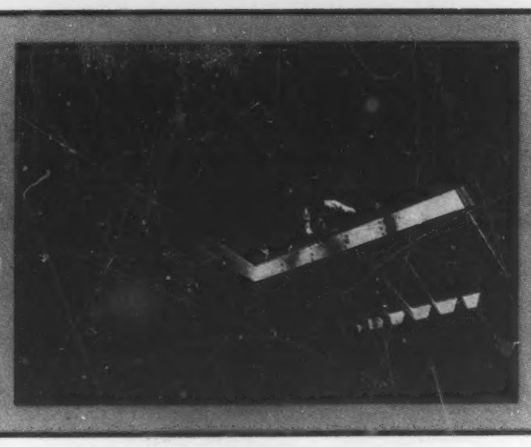
Canadian producers said the new stumpage fees pose a number of unprecedented

(Continued on page 63)

INSIDE

Room Additions and Remodeling

Consumers remodeling and adding rooms to their homes are seen by many home centers as the prime candidates for project sales of building materials. However, it appears that home centers are marketing projects more to contractors than homeowners, who don't show a strong preference about where commodities are bought, but select the home center later, for post-remodeling fare.



NEWSBREAKS

NORTEK BUYS USG's CASTLEGATE DIVISION: Purchase of the Pittsburg, Kan., Castlegate, which produces insulated steel doors, places the Providence, R.I., conglomerate among the nation's largest door makers.

STAMBAUGH-THOMPSON GMM TO START OWN COMPANY: Don Senne, a 15-year veteran of the Youngstown, Ohio, chain, resigned to start Decorator Depot, Inc., a home decor chain to be based in Warren, Ohio. He plans to open two 6,000-square-foot units this spring.

INDUSTRY UPDATE

Stanadyne target of hostile bid

HARTFORD — Emhart Corp., based here, said it has not made any decision on whether to sell Stanadyne Inc.'s nonplumbing businesses if its hostile takeover of the Elyria, Ohio-based company is successful, despite a published report in *The New York Times* that it would do so.

"It is much too early to make that decision," said Emhart spokesman John Budd.

Meanwhile, Stanadyne, according to *The Wall Street Journal*, asked shareholders not to make a decision on whether to tender shares to Emhart under a $40-a-share offer until Stanadyne's board can make a recommendation on the bid scheduled for Jan. 22. Stanadyne has retained Goldman, Sachs & Co. as its investment advisors.

In a filing with the SEC, Emhart said it has a commitment from a syndicate of banks for $600 million to complete the takeover, estimated to cost $585 million.

Hechinger to build larger HQ

LANDOVER, Md.— Hechinger has purchased 13 acres of land in the Inglewood Business Community, Landover, Md., from McCormick Properties, as a site for its new corporate headquarters.

The fast-growing Hechinger chain has already outgrown its original Landover, Md., headquarters and was forced to move some of its management into temporary headquarters in Lanham, Md., this fall.

Work on the new corporate headquarters is scheduled to begin in the spring and be completed by the summer of 1989.

It will open on Rte. 202 and the Beltway, in the Central Ave. area on the east side of Prince George's county.

It will be constructed in two phases according to McCormick Properties. The first phase will be a 123,000-square-foot building and the second an 84,000-square-foot building. These will be linked together by an atrium corridor of silver reflective glass.

Otasco reps attend Coast show

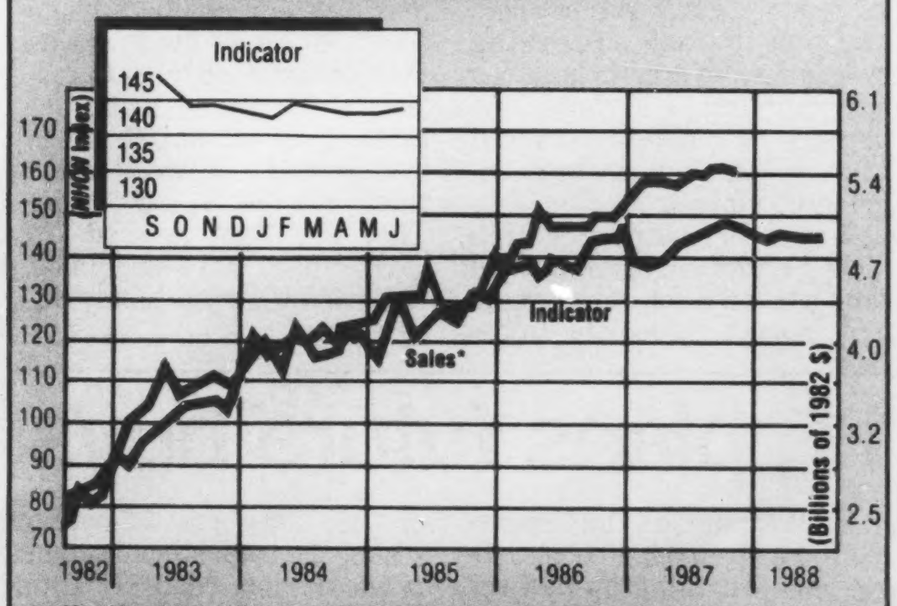
ANAHEIM, Calif. — Newly merged into the Coast to Coast distribution system, some 200 independent Otasco dealers were among the 4,000 participants at Denver-based CoastAmerica's convention held Jan. 6-8 at the Anaheim Convention Center.

CoastAmerica bought Rapid Distributing Co. from Otasco Inc. of Tulsa, Okla., on Jan. 5 (*NHCN*, Jan. 11). Rapid Distributing had distributed some 8,000 stockkeeping units including car parts and appliances to 250 Otasco dealers in 13 southern states.

CoastAmerica ceo Richard Bard said the 250 Otasco dealers will have the option of converting their names to Coast to Coast Hardware or Coast Home & Auto.

Participants included 250 vendors and 800 Coast to Coast dealers who kicked off the company's 60th anniversary year with a "Gala Celebration and Dinner" at nearby Disneyland.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building materials sales through the first half of 1988. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

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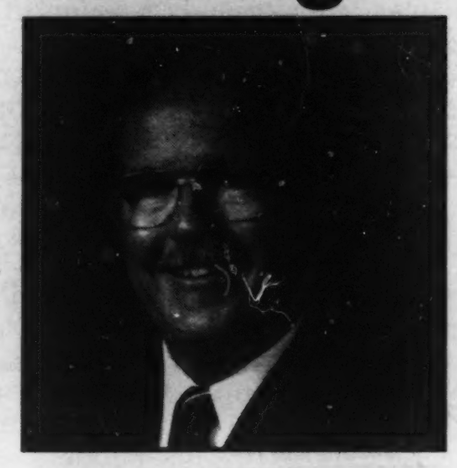
William W. Adams is elected as new Armstrong chairman

By an NHCN staff editor

LANCASTER, Pa. — William W. Adams was elected chairman of the board, president and chief executive officer of Armstrong World Industries, effective March 1. Adams succeeds Joseph L. Jones, who will retire on that date but will remain a member of the Board of Directors.

Adams joined Armstrong in 1956 following his graduation from Iowa State University. After a series of management positions in advertising, marketing and as part of Armstrong's International Operations, he was elected group vice president for Building Products Operations. Adams has served as an executive vp and as a director of the company since early 1982.



William W. Adams was elected chairman of the board, president and ceo of Armstrong World Industries.

Adams' promotion was one of a number of management changes that took place recently at the floor, ceiling and furniture manufacturer based here.

George F. Johnston, vice president and chief planning officer, retired Jan. 1 after 40 years with the company. Johnston played a leading role in managing the company's acquisition activities and in its strategic planning.

In addition, Robert H. Caldwell, who currently serves as an executive vp, was elected senior executive vp and will act in the absence of the chief executive officer.

E. Allen Deaver, currently group vp for Armstrong's corporate technology and new business development division, and George A. Lorch, currently group vp for carpet operations, were elected executive vp and members of the board of directors.

Central unit will stir up St. Louis suburb

By Gary S. Ruderman

CAPE GIRARDEAU, Mo. — Charlie Haubold missed the ground breaking ceremony here for the newest Central Hardware unit here.

While Haubold is a member of the local Chamber of Commerce and was invited to the Jan. 5 affair, he's also president of the four-unit Riverside Home Center here. And the new Central is going be a lot of competition.

The Bridgeton, Mo., chain slated Cape Girardeau, Mo. (pop. 34,851, located about 100 miles south of St. Louis) for its 38th unit and 13th in the St. Louis metro area.

Central will begin construction of the 70,000-square-foot unit this year but will delay opening the unit until spring, 1989, said chain president James Cohen. The Central unit will anchor one side of a new shopping mall; the other major tenant will be a 45,000-square-foot food store.

The mall is just two blocks from the 35,000-square-foot Riverside Home Center. Haubold says Central's entrance in the small market will benefit his operation in the long run, making his operation more competitive and his employees more service oriented. Central's larger advertising budget will also draw shoppers to the city.

He said he's been expecting Central since he threw out several of its senior people caught price shopping at his unit last year. Although Central is larger, Haubold says Central will have to lower many of what he calls its "St. Louis" prices to meet those in the smaller community.

And Central will have plenty of competition, he explains, what with 11 consumer-oriented and three all-contractor lumberyards and home centers in the area.

"You can't get too much more competitive here," said Haubold. "Talking to vendors, we're either a trash market [because of its small size] or we're highly, competitive."

Central is also opening two units this March: one in Festus/Crystal City, Mo., and the second—its fifth unit—in Memphis, Tenn. Central, with estimated volume last year of $270 million, operates in Indiana, Missouri, Ohio and Tennessee.

Haubold told *NHCN* that his absence from Central's ground breaking had nothing to do with animosity towards a new competitor. It was 14 degrees below zero that day and that, the Missourian points out, "was too darned cold."

U.K.'s Wickes reopens first Builders Mate

By an NHCN staff editor

LONDON — This month, Wickes PLC was scheduled to open the first remodeled unit of the nine-store Builders Mate home improvement chain it acquired in September.

The addition of Builders Mate, which operates 15,000-square-foot stores with a narrow product mix, gives Wickes PLC an entry into the smaller towns of the U.K.

Wickes PLC, the home improvement chain which broke away from its parent company Wickes International in a management buyout last April, bought Builders Mate in a deal worth between £3.6 million ($6.48 million) and £6 million ($10.8 million), de-

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New Furman DC allows for further growth in New England area

By an NHCN staff editor

PORTSMOUTH, N.H. — Furman Lumber, a national lumber wholesaler based in Boston, has opened a distribution center here.

Company officials said the facility was added expressely to serve its customers in the upper New England market.

"Opening the distribution center now will allow us not only to grow with the market, but also to serve our present customers better because we'll have a distribution center located right in their area," said Scott Greene, manager of the Portsmouth DC.

The product mix will include structural panels, gypsum, sheathing, particleboard, framing lumber, treated products and cedar shingles and siding.

Greene said the DC will concentrate on customers in northern Massachusetts, Maine, New Hampshire and Vermont, a region the company has long thought ripe for growth.

The Portsmouth DC brings to seven the number of facilities Furman Lumber operates nationally.

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Percentage of adults, by region, that completed home improvement projects in the last 12 months

(Activity Index**)

Project	Total of U.S. adults completing project in last 12 months	New England	Middle Atlantic	East Central	West Central	Southeast	Southwest	Pacific
Remodel interior rooms	8,354,000	9.0 (163.9)	20.4* (115.6)	18.8 (134.4)	17.8 (112.1)	16.9 (93.7)	7.4* (62.9)	9.7* (56.5)
Garage/attic/living space conversions	2,922,000	13.3 (240.5)	22.5* (127.8)	11.8 (84.7)	16.7* (105.4)	19.2* (106.3)	3.4* (28.5)	13.1* (76.5)
Add/extend a garage	1,358,000	1.0* (18.7)	20.9* (118.7)	12.1* (86.4)	16.2* (102.3)	20.2* (111.5)	9.9* (83.9)	19.7* (114.9)
Add exterior rooms	2,186,000	6.9* (124.3)	21.0* (119.4)	8.1* (58.2)	19.7* (124.2)	16.8* (93.0)	7.2* (61.4)	20.2* (117.7)
Bathroom remodeling	10,598,000	7.5* (135.0)	22.2 (126.0)	13.9 (99.6)	17.9 (112.8)	15.6 (86.1)	7.6* (64.5)	15.4 (89.4)
Kitchen remodeling	6,920,000	8.8* (158.6)	24.9 (141.4)	16.0 (114.1)	14.2 (89.9)	22.7 (125.2)	6.5* (55.3)	6.9* (40.4)
Add a bathroom	1,616,000	9.9* (179.3)	16.8* (95.5)	17.1* (122.2)	19.4* (122.7)	17.3* (95.8)	5.1* (43.1)	14.2* (82.9)
Add a deck/ porch/patio	6,714,000	5.9 (106.3)	19.7* (111.9)	18.5 (132.3)	15.3 (96.5)	17.3 (95.8)	9.8* (83.1)	13.5* (78.7)
Roofing	5,816,000	10.0* (181.9)	23.1 (131.1)	12.4* (88.8)	14.4* (90.7)	19.4 (107.0)	6.6* (55.8)	14.2* (82.5)

*Projected from 50 or fewer responses.

**The activity index represents a ratio of the percentage of the total U.S. adult population living in each region compared with the percentage of adults in each region that did a specific job. For example, adults in New England represent 5.5 percent of all U.S. adults. The number in this region that converted a basement, garage or attic to living space represents 13.3 percent of all U.S. adults who did this particular job. The second percentage divided by the first produces the "Activity Index" of 240.5, a relative measure of home improvement that can be compared with the index of 100 for the country as a whole and with respective indices for other parts of the country.

Source: *Rodale's Practical Homeowner*, U.S. Profile of DIY Consumers, MRI Fall 1987 Report

NHCN chart

Retailers might miss most active segment of market

By an NHCN staff editor

NATIONAL REPORT — Middle aged homeowners, those with household incomes above $50,000 and those living in New England showed the greatest propensity for adding or remodeling a room over the past 12 months, according to a newly published study.

For the second consecutive year, *NHCN* is publishing the results on home remodeling produced by *Rodale's Practical Homeowner Magazine*, based on interviews, conducted in two waves, with 20,134 U.S. adults during the months September 1986 through February 1987, and March through August 1987.

Projected to represent the 173,951,000 million adults living in this country, the study found that more than 46 million had completed some remodeling or room addition job in the 12 months prior to being interviewed. More than one fifth of these jobs were bath remodeling projects; another 15 percent remodeled their kitchens.

As was the case last year, the active remodeling homeowner, statistically, was between 35 and 64 years old, with an income between $25,000 and $49,999, residing in a suburban Middle Atlantic or Midwestern home worth between $50,000 and $99,999 for more than five years.

But when the study defines the active remodeling homeowner by a ratio it calls an "activity index" (*see explanation with chart*), a different kind of person emerges, one that home improvement retailers need pay closer attention to in order to increase project sales.

The study's demographic breakdowns of adults having completed the most projects numerically correspond with those having the highest activity index only intermittently. For instance, a projected 1.5 million-plus 18-to-34 year olds converted a garage, basement or attic to living quarters and the activity index of 131.4 for this group (with 100 being the national index base) was the highest for all ages tracked.

However, it oftentimes was the demographic group that figured relatively low, numerically, that more consistently registered a high activity index. Only around 800,000 New Englanders had remodeled a bathroom, compared to a projected 2.4 million Middle Atlantic adults and 1.9 million West Central state dwellers. But the activity index in New England of 135 was the highest for all regional groups.

Conversely, while those living in the Pacific states made a very strong showing numerically in a number of home remodeling projects, their activity indices were generally pretty weak. More than 4.2 million adults in Pacific states who have lived in their homes five years or more had remodeled "other rooms" over the past 12 months. However, the activity index for this group was only 88.9, well below even the national base number. Residents here had only a 76.5 index for garage conversions.

Dealers need to bear in mind that the willingness of their customers to perform remodeling and room addition jobs is not always reflected in the amount of business they are getting. Indeed, in the Pacific states, it appears that retailers could be missing a significant segment of the adult population that has not been sufficiently prompted to engage in these projects.

Consequently, the *Rodale* study brings to the fore the need for dealers to beef up their project selling promotional efforts in order to draw these reluctant homeowners into their stores.

The study contains a number of surprising findings. Adults who have lived in their homes for five years or more completed the most number of kitchen remodelings. But those who have lived in their house for one year or less had an activity index of 113.6, the highest among the home tenure breakdowns for this job. In addition, while suburban dwellers completed the greatest number of kitchen remodels, those living in rural areas had the higher activity index.

And when this job is disseminated by home value, the activity indices for those in houses worth more than $100,000 and those in homes valued at $50,000-$99,999 are very close, even though the latter group did nearly 65 percent more kitchen remodeling projects (4.2 million to 2.54 million).

In only two project categories—remodeling "other rooms" and adding or extending a garage—were the greatest number of jobs completed by those living in central city areas, with most of the activity occurring in suburban realms. In only one category—roofing—did those adults over 65 years old (with an index of 102.5) register anything near the national base. It was also in roofing, and remodeling other rooms, that those adults in homes worth less than $50,000 had either the highest or near-highest activity index for the home value breakdown.

And the index for homeowners with houses worth in excess of $150,000 showed up well for all but a few of the projects tracked.

Perhaps the most revealing findings, though, are in the *Rodale* study's section on regional activity. In last year's study, the activity index for New England was the hands down winner—in many cases by a wide margin—in most of the projects. However, this year's survey showed the staying power of the Middle Atlantic states, and a surprising strength in the Southeast. And, as mentioned above, for projects where they had numerically impressive totals the Pacific states, in all but two instances, had very poor activity indices.

In virtually every project, those Middle Atlantic dwellers were among the leaders in jobs completed compared to other areas of the country. Also showing marked home improvement activity were those living in the West Central states, particularly in bath remodeling, exterior additions, and porch/deck/patio construction.

In eight of the nine projects tracked, though, the activity index for adults living in New England was among the top three for all regions. The area's residents were particularly active in garage conversions, adding other rooms and in roofing.

As mentioned, Middle Atlantic-area residents were active in nearly every project.

Few retailers market to urban DIYers

By Gary S. Ruderman

NATIONAL REPORT — Tim Gross and a few hardy souls like him living in this nation's cities are literally working out in the cold.

Gross is a controller for an international chemical firm. He's been laboring weekends through Chicago's bone-chilling winter to add another story to his home on Chicago's trendy north side. Having been raised in a family whose members were tradesmen, Gross (a pseudonym, as he is doing the work without a city building permit and requested anonymity) has used his carpentry experience to circumvent a lot of the labor costs on the job he's doing.

He also said he was willing to "spend the time" picking over wood at a local retail-oriented lumberyard because of the low prices. However, Gross is an exception.

Dealers in nine major metro markets report that, except for Gross and a smattering of DIYers, the construction of room additions and major remodeling jobs in the inner cities of the United States are the strict province of the professional remodeler.

Calls to dealers in San Diego, Los Angeles, Seattle, Phoenix, Houston, Minneapolis-St. Paul, Chicago, Washington and New York found few home improvement retailers who are marketing directly to urban DIYers.

"I haven't seen any advertising aimed at the remodeler or rehabber," said Dick Wood, merchandise manager for O'Malley's, a 16-unit Phoenix-based chain, echoing a common response by most dealers about the marketing by their stores and the competition towards the urban remodeler-homeowner.

It's hard to get a handle on how much business dealers are relinquishing by shying from this market. The National Association of the Remodeling Industries (NARI), a trade association of 4,500 contractors, manufacturers, lending institutions and wholesalers, said room additions counted for $7.149 billion in sales last year, up from $6.384 billion in 1986. (NARI had no statistics on how much of this was generated from urban remodeling.)

With the recent rise in conversion of commercial buildings to living quarters, one would expect to find a ripe market among new owners retrofitting their dwellings in cities throughout the country. From coast to coast, dealers note that the No. 1 inner city room addition or renovation project was a family room attached to a kitchen area, a

(Continued on page 22)